
EXETER

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REF: 180705

July 23, 2018

Kim Trosclair
Louisiana Public Service Commission
Office of General Counsel
602 North Fifth Street, 12th Floor
Galvez Building (70802)
P.O. Box 91154
Baton Rouge, LA 70821-9154

Re: RFP 18-13 – Docket No. S-34879
In re: Atmos Energy Corporation Petition Requesting
Renewal of Asset Management Plan for the Period
April 1, 2019 through March 31, 2024

Dear Ms. Trosclair:

Exeter Associates, Inc. (Exeter) is pleased to submit this proposal to assist the Louisiana Public Service Commission's (Commission's or LPSC's) Legal, Audit, and Economic Divisions (Staff) in analyzing the petition of Atmos Energy Corporation (Atmos) to renew its Asset Management Plan (AMP) for the period April 1, 2019 – March 31, 2024. Atmos currently operates under an AMP with Trans Louisiana Gas Pipeline (TLGP). The AMP was originally approved by the LPSC in 1999 in Order No. U-24016. In August 2003, the 1999 AMP expired. In February 2004, in Docket No. U-27789, Atmos sought and received LPSC authorization to renew the AMP for a five-year term beginning April 1, 2004. Authorization was subsequently sought and granted to extend the AMP through March 31, 2014 in Docket No. U-27789-Subdocket A. In Docket No. S-32919, the AMP was extended through March 31, 2019.

The purpose of the AMP is to optimize the value of Atmos' existing supply, storage, and transportation agreements through the use of financial hedging, off-system sales, contract flexibility, and transportation discounts. The AMP provides for guaranteed annual payments to be made by TLGP to Atmos of \$675,000. In addition, the AMP provides for TLGP to retain the first \$1.5 million in annual revenues generated from its asset management activities, but also provides a 50/50 percent sharing of annual revenues in excess of \$1.5 million with Atmos. In its filing to extend the AMP through March 31, 2024, Atmos claims that customers will have

received benefits estimated at \$10.7 million under the current 5-year AMP approved in Docket No. S-32919.

Principal Issues

Exeter preformed the LPSC's audit of Atmos' Purchased Gas Adjustment (PGA) filings for the period April 2012 through March 2014 (Docket No. X-33480). A considerable portion of Exeter's audit focused on evaluating whether Atmos benefitted under the AMP. Exeter's audit found that Atmos' PGA customers may have received a greater benefit operating independently of the AMP, and that the Company's compliance with the storage injection directions of TLGP under the AMP may have had adverse consequences on PGA customers. However, Exeter proposed no disallowance related to Atmos' AMP activities because the AMP had received prior LPSC approval.

Exeter will work together with the Commission Staff to address whether PGA customers would have received a greater benefit if Atmos operated independently of the current AMP. Exeter will also evaluate whether Atmos' compliance with the AMP resulted in adverse consequences for PGA customers.

Plan of Action

Exeter proposes to carry out this work by performing the following tasks:

1. Conduct a comprehensive review and analysis of Atmos AMP activities for the period April 2014 to date;
2. Conduct discovery, including the preparation of written data requests and holding informal discovery conferences, as necessary;
3. Review the responses to discovery requests, workpapers, financial data, and historical data involving AMP activities;
4. Conduct technical conferences with the Company, as necessary, to confirm facts, collect additional information, and obtain Company explanations for various activities;
5. Prepare a report identifying all benefits and concerns associated with Atmos' AMP. The report will identify any irregularities detailed in the AMP transactions and will include an Executive Summary which identifies whether renewal of the AMP is in the best interest of ratepayers, and whether the current AMP provided the anticipated projected savings;
6. Prepare an audit memoranda and/or pre-filed testimony in support of Staff's ultimate recommendations, including supporting exhibits;

7. Assist with the preparation of applicable motions, exceptions, briefing sheets, and orders of the Commission;
8. Participate in settlement negotiations with Staff and the Company to determine whether issues can be resolved without litigation;
9. Participate in pre-trial conferences, depositions, and hearings; and
10. Participate in conference calls, meetings, and conferences with Staff and Commissioners, and attend Business and Executive Sessions, as necessary and appropriate.

Exeter will assist Staff in the above necessary actions through to the issuance of the Commission's final order in this proceeding. Exeter understands that the time period estimated for completion is approximately 6 to 12 months, with the overall time period depending on the extent to which matters are contested. Exeter would begin work shortly after notification of selection. We would anticipate discovery and preparation of Exeter's evaluation and findings to take place over a period of 5 to 7 months, with hearings to follow on a schedule established by the Administrative Law Judge (ALJ) assigned to the proceeding.

Qualifications

A detailed description of Exeter's corporate qualifications and the qualifications and experience of its senior personnel has been included as Attachment A in our response to this RFP. Exeter is well-qualified to provide the assistance that the Commission requires in this proceeding. Exeter has extensive experience addressing utility regulatory matters before the LPSC, as well as other state and federal regulatory agencies. The firm's experience includes extensive work in analyzing the operations, books, and records of utility companies and providing expert testimony on all aspects of utility regulation and ratemaking. The issues addressed in this work have included:

- Appropriate accounting standards and practices for utilities, public utility accounting, and generally accepted accounting standards.
- Appropriate ratemaking adjustments to utility accounting records.
- Appropriate allocations of costs to base rates and fuel charges.
- Recoverable expenses for ratemaking purposes.
- Just and reasonable costs and prudent investments associated with providing reliable and quality service.

- Costs passed through a PGA which are considered reasonable and prudent, and appropriate and/or eligible for recovery pursuant to Commission orders, which are necessary for the provision of gas service and which have or will produce just and reasonable rates.
- Utility taxation.

Exeter is especially well-suited to conduct this investigation because of its directly relevant Louisiana experience. Over the past 35 years, Exeter has worked for the Commission on numerous regulatory proceedings dealing with utility fuel purchases and usage. Exeter has also worked with the Commission on the proper function and flow-through of costs under fuel adjustment clauses (FACs). In fact, Exeter helped the Commission establish rules for purchased gas cost recovery filings and establish guidelines for cost recovery eligibility. Some of the directly relevant projects that Exeter has undertaken for the Commission include:

- The investigation of the PGA filings of Atmos Energy Corporation for the period April 2012 through March 2014 in Docket No. X-33480.
- The investigation of the PGA filings of Entergy Louisiana, LLC for the period January 2012 through December 2015.
- The investigation into whether Trans Louisiana Gas Company (TransLa) and Louisiana Intrastate Gas Company included inappropriate or imprudent costs in their purchased gas cost recovery mechanisms from 1981 through 1994.
- Review of the Rate Stabilization Pilot Program of TransLa and Louisiana Gas Service Company for the 2004-05 through 2006-07 winter seasons.
- The investigation into Entergy Louisiana, LLC's FAC filings between 1975 and 1998.
- The review of Entergy Louisiana, LLC's purchased power practices and contracts (prudence and accounting) for 2000, 2001, and 2002.
- The investigation of Cleco Power, LLC's planning resource procurement practices and incurred fuel costs for the period January through October 2005 (initiated by the Commission as a result of the effect of Hurricanes Katrina and Rita on the fuel and purchased power costs of Louisiana electric utilities).
- The investigation of Cleco Power, LLC's fuel adjustment filings for the years 2003 through 2008.
- The review of Entergy Gulf States, L.L.C.'s fuel adjustment filings for the years 2005 through 2009 in Docket No. U-32245 which resulted in a refund to ratepayers of \$5 million.

We propose that this project be conducted under the direction of Mr. Jerome D. Mierzwa, a Principal at Exeter. Mr. Mierzwa has previously participated in the review of PGA and FAC filings on behalf of LPSC Staff as previously described. Mr. Mierzwa has also been involved in the investigation of the purchased gas costs and gas procurement policies of gas and electric utilities in Arkansas, Georgia, Indiana, Louisiana, Maryland, Massachusetts, Nevada, New Jersey, Ohio, Pennsylvania, Tennessee, Texas, and Utah. Mr. Mierzwa's resume was included as Attachment B in our recent response to RFP 18-09. In addition to Mr. Mierzwa, other members of Exeter's staff will be available as necessary.

Cost Proposal

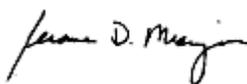
Exeter proposes to perform the audit of Atmos and provide the report for a budget not to exceed \$18,400 for professional services, plus direct expenses not to exceed \$1,500. Exeter will bill for professional services at our standard hourly billing rates which range from \$85 per hour for research assistants to \$195 for Mr. Mierzwa. Direct expenses will be billed at cost.

Conflict of Interest

Please note that Exeter has no business relationship with Atmos or any of its affiliates, nor have we ever had such a relationship. Exeter has no business relationship with any likely fuel suppliers. In addition, Exeter regularly represents the interest of small customers such as Atmos' PGA sales customers. Therefore, we have no conflict of interest that could impair or restrict our ability to provide assistance and objective advice to Staff.

If you have any questions of either a technical or contractual nature, please do not hesitate to call. We look forward to again being of service to the Commission and the ratepayers of Louisiana.

Very truly yours,



Jerome D. Mierzwa
Vice President

JDM/arr

ATTACHMENT A

EXETER ASSOCIATES, INC.

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COLUMBIA, MARYLAND 21044**

CORPORATE QUALIFICATIONS

EXETER ASSOCIATES, INC. CORPORATE QUALIFICATIONS -- GENERAL

Exeter Associates, Inc. provides economic and financial consulting services in the areas of public utility regulation, energy, and antitrust economics. The firm maintains the highest standards in the application of economic and financial analysis to both quantitative and policy issues in the electric, gas, and other industries.

Exeter Associates, Inc. is distinguished by the breadth of experience and expertise of its senior professionals. Each holds an advanced degree in economics or a related field with extensive experience in his or her area of expertise, and each is a recognized expert in one or more of the areas of analysis and research shown below.

Public Utility Regulation (Electric, Gas, and Water/Wastewater)

- | | |
|---------------------------------------------------------|------------------------------------------|
| < <i>Alternative regulatory structures</i> | < <i>Structural separation remedies</i> |
| < <i>Local competition</i> | < <i>Rate structure and rate design</i> |
| < <i>Industry restructuring</i> | < <i>Marginal costs and rates</i> |
| < <i>Privatization</i> | < <i>Rate of return</i> |
| < <i>Wholesale/retail wheeling</i> | < <i>Affiliate company relationships</i> |
| < <i>Mergers and acquisitions</i> | < <i>Revenue requirements</i> |
| < <i>Costing methodologies</i> | < <i>Utility financial condition</i> |
| < <i>Imputation standards/non-accounting safeguards</i> | < <i>Utility productivity studies</i> |
| | < <i>Depreciation</i> |

Econometric and Energy Modeling

- | | |
|------------------------------------|------------------------------------------------------|
| < <i>Demand and cost analysis</i> | < <i>Conservation and load management analysis</i> |
| < <i>Energy supply forecasting</i> | < <i>Economic analysis of environmental policies</i> |
| < <i>Load forecasting</i> | |

Industry Analysis

- < *Electric utilities*
- < *Water/sewer utilities*
- < *Oil and natural gas*

Cost/Benefit Analysis

Life-Cycle Cost Analysis

Financial Modeling and Analysis

Evaluation/Acquisition of Alternative Utility Supplies

ELECTRICITY

Exeter staff has been continuously involved in electric utility industry regulatory issues since the Company began operating in 1981, and the experience of its senior staff predates the formation of the Company. Exeter has provided expert witness testimony in hundreds of regulatory proceedings before state and federal regulatory commissions. This testimony has been on behalf of commission staffs, consumer advocates, and federal and state government clients. In addition, Exeter personnel have provided consulting and prepared reports/studies addressing broad policy issues facing particular states and industry-wide regulatory concerns. These testimonies and studies have involved such recent issues as industry restructuring, wholesale and retail open access, privatization of utility systems, stranded costs, contract evaluation/negotiation, and the development or evaluation of performance-based mechanisms (alternative forms of regulation) for electric utilities. Most recently, Exeter has also examined and provided testimony on renewable energy, energy conservation, demand response, procurement of default electricity supply service, and construction and siting of power plants.

Exeter staff has extensive experience in providing expert testimony and consulting on revenue requirements, rate of return, load forecasting, demand side management, depreciation, cost of service, prudence, rate design, fuel costs, purchase power costs, competition (both wholesale and retail), utility resource planning, cogeneration analysis and merger issues.

NATURAL GAS

Exeter Associates has been extensively involved in natural gas regulatory issues since the mid-1970's. After the adoption of Federal Energy Regulatory Commission (FERC) Order No. 636 and subsequent unbundling of interstate pipeline service in 1993, local gas distribution companies (LDCs) have become entirely responsible for the gas procurement function, a responsibility primarily borne by interstate pipelines prior to adoption of FERC Order No. 636. Exeter's engagements have included evaluation of LDC gas procurement practices and policies in the post-Order No. 636 environment on behalf of public utility commission (PUC) staffs and consumer advocates. Exeter has provided expert witness assistance to PUC staffs and consumer advocates in numerous regulatory proceedings before state and federal regulatory authorities addressing revenue requirements, cost allocation and rate design issues. Exeter professionals have advised state and federal clients concerning issues related to natural gas industry restructuring. This includes addressing issues such as performance-based gas procurement programs, stranded costs, unbundling of LDC services, and new regulations to promote competition under conditions of an evolving market structure. Exeter has also assisted clients in the direct procurement of natural gas supplies and contract negotiations in the continually evolving competitive gas acquisition markets.

WATER/WASTEWATER

Exeter Associates' personnel have extensive experience in designing water/wastewater rates, performing cost allocation studies, evaluating revenue requirements, and addressing other aspects of water and wastewater regulation. Because of the substantial capital improvements required by water utilities to comply with the quality standards of the Safe Drinking Water Act (SDWA) and its amendments, significant increases in water rates are often required. Exeter has extensive experience in addressing the allocation and recovery of SDWA-related costs.

In addition to the staff's providing expert testimony in numerous regulatory proceedings throughout the U.S. on behalf of state and federal government clients, Exeter personnel have assisted clients in negotiations for water supply, rates, service characteristics, and billing arrangements. In addition to these issues, Exeter personnel have addressed the adequacy of infrastructure, privatization of federally-owned water treatment and storage facilities and water distribution systems, and issues related to fire protection.

EXETER ASSOCIATES, INC. RECENT CLIENTS

Exeter Associates' professional staff members have served a broad range of client organizations including public service commissions, consumer advocates, government agencies and private firms. Recent clients include:

Arkansas Public Service Commission	National Nuclear Security Administration
Brookhaven National Laboratory	National Renewable Energy Laboratory
Center for Resource Solutions	New Hampshire Office of Consumer Advocate
Colorado River Commission of Nevada	Northrop Grumman
Community Legal Services, Inc.	Office of the Ohio Consumers' Counsel
Defense Logistics Agency Energy	Pennsylvania Office of Attorney General
Delaware Division of the Public Advocate	Pennsylvania Office of Consumer Advocate
Delaware Public Service Commission	Public Utilities Commission of Ohio
Fermi National Accelerator Laboratory	Regulatory Assistance Project
General Electric	Rhode Island Division of Public Utilities & Carriers
General Services Administration	SLAC National Accelerator Laboratory
Hawaii Public Utilities Commission	Strategic Petroleum Reserve
Illinois Citizens Utility Board	Sustainable Energy Advantage
Imperial Irrigation District	Tennessee Attorney General – Consumer Advocate and Protection Division
Indiana Office of Utility Consumer Counselor	Tennessee Regulatory Authority
Lawrence Berkeley National Laboratory	Township of Bedminster, New Jersey
Lawrence Livermore National Laboratory	U.S. Air Force – Air Force Civil Engineer Center
Louisiana Public Service Commission	U.S. Army – Commercial Utilities Program, U.S. Army Corps of Engineers
Maine Office of the Public Advocate	U.S. Department of Defense
Maine Public Utilities Commission	U.S. Department of Energy
Maryland Department of the Environment	Utah Office of Consumer Services
Maryland Energy Administration	The Utility Reform Network
Maryland Office of People's Counsel	Western Area Power Administration – Desert Southwest Region
Maryland Power Plant Research Program	Western Interstate Energy Board
Maryland Public Service Commission	
Massachusetts Attorney General – Office of Ratepayer Advocacy	
Midwest Renewable Energy Tracking System	
National Association of Regulatory Utility Commissioners	

EXETER ASSOCIATES, INC. KEY STAFF MEMBERS

Exeter Associates, Inc. specializes in serving clients engaged in litigative, policy-making, and decision-making activities and in providing the highest quality consulting services to clients in the areas of regulatory policy, industry restructuring, utility supply planning, contract negotiation, and on a wide range of other contemporary economic issues. The senior professional staff has provided expert testimony on numerous occasions before state, federal, and foreign regulatory agencies; state and federal courts, the Federal Energy Regulatory Commission, the U.S. Postal Rate Commission, and U.S. Congress and state legislative committees and subcommittees. Summaries of the qualifications of Exeter's senior staff are presented below:

DR. STEVEN L. ESTOMIN is a principal of Exeter Associates and is a senior economist more than 30 years of experience in the areas of microeconomic applications, industry analysis, econometric modeling and environmental economics. He specializes in utility load forecasting, computer modeling, financial analysis, utility contract negotiation, cogeneration analysis, electric industry restructuring, power supply acquisition, and issues of competition and antitrust. Dr. Estomin has had major responsibility in evaluating long-term utility power supply options for U.S. Department of Energy and U.S. Air Force installations, and in negotiating long-term utility contracts for the U.S. government. Dr. Estomin has conducted electric sales and load forecasts for individual utility service areas and for the State of Maryland, and has testified on his review of electric sales forecasts prepared by utilities, including Pepco, Baltimore Gas & Electric Company, Commonwealth Edison, Central Maine Power, and Bangor Hydro. He has also testified on issues relating to statistical analysis, rate design, competition, and power supply acquisition for default supply service. Dr. Estomin holds a B.A., M.A., and Ph.D. in economics from the University of Maryland.

MR. DWIGHT D. ETHERIDGE is a principal at Exeter Associates with 29 years of wide ranging experience in the electric utility industry. His areas of expertise include retail competition, energy markets, risk management and control, distributed generation, telecommunications, contract rate negotiations, rate design, cost allocation and forecasting, revenue requirements and benchmarking studies. Mr. Etheridge supports clients on multiple utility issues, including planning and options studies, cost analyses related to negotiations and utility rate cases, power procurement and price projections, risk management and energy price hedging programs, and utility infrastructure analyses. While employed by an investor-owned utility, Mr. Etheridge held increasingly more responsible management positions in strategic, deregulation, pricing, and planning areas, including reporting to the CEO during electric deregulation and a merger of two utilities. Mr. Etheridge has extensive experience developing analytical and strategic solutions on a variety of utility issues and communicating on those issues to regulatory commissions, legislatures, senior management, boards of directors and the public. He has presented expert testimony on over 30 occasions and has acted as a spokesperson numerous times on television, radio, and in print. Mr. Etheridge holds a B.S. in business administration from the University of California, Berkeley.

MR. JEROME D. MIERZWA is a principal of Exeter Associates and a senior analyst with 24 years of public utility regulatory experience. At Exeter, Mr. Mierzwa has conducted purchased gas cost allocation analysis and rate design analysis, management audits and similar investigations of the natural gas supply and procurement policies and practices of interstate gas pipelines and local distribution companies (LDCs). Most recently, Mr. Mierzwa has been involved in evaluating performance-based incentive regulation for LDC purchased gas costs and the unbundling of LDC services. Mr. Mierzwa has participated in developing utility class cost-of-service studies, has presented testimony sponsoring gas, water, and wastewater utility cost-of-service studies, least-cost gas procurement and incentive regulation, in addition to presenting testimony addressing utility rate base, expenses and revenues. Mr. Mierzwa holds a B.S. in marketing and an M.B.A. in finance from Canisius College.

MS. CHRISTINA R. MUDD is a principal at Exeter Associates, Inc. with 20 years of experience in energy efficiency, renewable energy, and climate change policy. With Exeter Ms. Mudd provides detailed analysis on the economic impacts of energy and environmental policies. Ms. Mudd participates in the Maryland staff working group for the Regional Greenhouse Gas Initiative, assists the Maryland Department of Natural Resources, Maryland Energy Administration and Maryland Department of Environment reviewing policies and programs related to electricity regulation, energy efficiency, renewable energy, and climate change. Ms. Mudd also provides technical support to federal agencies by reviewing utility supply contracts and rates, and reviewing the economic feasibility of alternative energy projects. Ms. Mudd served as the Executive Director of the National Council on Electricity Policy from January 2005 to December 2006. The National Council is a partnership between the National Association of Regulatory Utility Commissioners, National Association of State Energy Officials, National Governors' Association, and National Conference of State Legislators. Ms. Mudd holds a B.S. in political science and biology from James Madison University and an M.A. in international affairs with a concentration in economics and energy policy from Johns Hopkins University School for Advanced International Studies.

MR. KEVIN L. PORTER is a principal of Exeter Associates and a senior analyst with nearly 30 years of experience. Mr. Porter has been active in renewable energy analysis and research since 1984. His scope of expertise includes the technical and economic status of renewable energy technologies, design and implementation of state and federal renewable energy policies, transmission access and pricing for renewable energy technologies, and electricity policy in general. He has advised the National Renewable Energy Laboratory, the State of Maryland, the American Wind Energy Association, and other clients on renewable energy and green power procurement and policy design, and has written or co-written over 60 reports, conference papers, and journal articles. He holds a B.S. in environmental studies from Lewis & Clark College in Portland, Oregon, and an M.A. in economics from The American University in Washington, D.C.